50 Camberwell Road Hawthorn East VIC 3123

13 February 2026

Mr Daniel Westerman
CEO, Australian Energy Market Operator
Lodged online via email: ISP@aemo.com.au

Dear Mr Westerman,

Response to Draft 2026 Integrated System Plan

The Clean Energy Investor Group (CEIG) welcomes the opportunity to provide feedback on the Australian Energy Market Operators Draft 2026 Integrated System Plan (the Draft 2026 ISP) which was released in December 2026.

CEIG represents domestic and global renewable energy developers and investors, with approximately 18GW of renewable energy capacity in the NEM across 139 power stations and a combined portfolio value of more than $41 billion. CEIG members' project pipeline is estimated to be more than 150GW across Australia. CEIG strongly advocates for an efficient transition to a clean energy future on behalf of the investors who will provide the low-cost capital required for this transition.

Key Points

GENERAL COMMENTS

- CEIG welcomes the Draft 2026 ISP as a **credible** and **transparent** roadmap for the National Energy Market's (NEM)'s transition, and a critical signal to investors of whether Australia can continue to attract **domestic and foreign capital** at the scale required to deliver the transition at **least cost**.
- The Draft 2026 ISP confirms the transition is now constrained by **delivery capability** rather than **technology** or **capital**, reinforcing the need for **coordinated implementation** across jurisdictions, timely **transmission** investment, and sustained reform to **planning**, **approvals** and **market frameworks**.

Delivery risk, cost–benefit analysis and the cost of delay

- The Draft 2026 ISP clearly demonstrates the **cost of delay**. CEIG strongly welcomes the **Constrained Delivery** sensitivity, which shows that a **30 per cent delay** in delivery materially reduces renewable penetration (from around **82 per cent** to around **75 per cent**), increases **consumer costs** and prolongs reliance on **ageing coal** generation.

- Governments should treat **delivery risk** as the central priority for reform and implementation. **Planning delays**, **approvals bottlenecks**, **social licence** challenges, **supply chain** constraints and **workforce capacity** are now the greatest threats to achieving **least-cost outcomes**.
- The ISP must evolve into a genuine **delivery framework**, with clearer **implementation accountability**, **sequencing** and **coordination** across planning, approvals, transmission delivery and market reforms.

Accelerated Transition and investor ambition

- The **Accelerated Transition** scenario is increasingly **plausible** and **investor-credible**, and should be treated as a **policy-relevant pathway** that informs reform priorities and delivery settings.

Transmission, Renewable Energy Zones and coordinated delivery

- **Transmission** remains the single most critical enabler of the transition and future **economic opportunity**. Actionable transmission projects continue to deliver **net market benefits** even under Constrained Delivery assumptions, reinforcing their **"no-regrets"** status.
- AEMO and governments should strengthen coordination between transmission, **REZ delivery** and **coal exit schedules**, including early clarity on **access arrangements** and **sequencing** to reduce investor risk and avoid avoidable costs being passed through to **consumers and taxpayers**.
- The ISP should **explicitly test** transmission augmentation options into the South-West NSW REZ. Despite hosting some of the NEM's highest-quality wind resources and a large pipeline of advanced projects, **limited analysis** of augmentation pathways **risks undermining conclusions** about the Optimal Development Path **and least-cost outcomes**.

System operability, security and coal exit risk

- **System security** and **operability** can be delivered in very high renewables systems, but require **early action**. CEIG notes South Australia's experience demonstrates that strong **policy direction**, targeted system security reforms, and investment in **firming** and **system services** can enable secure operation at very high instantaneous renewable levels.
- **Orderly coal exit mechanisms** remain essential to manage **reliability risks**, protect **consumers** and avoid deterring investment in replacement capacity.

Foreign investment, cost of capital and competitiveness

- Foreign investors fund the **majority** of Australia's clean energy build, and **capital is mobile** across net zero economies. However, Australia's ability to **attract foreign capital** is at risk if uncertainty persists. Delivery delays increase the **cost of capital** and divert investment to competing jurisdictions, ultimately raising costs for **consumers**.
- Whole-of-government settings must align to **attract investment**, particularly by **avoiding policy signals** (including proposed increases to capital gains tax on

foreign vendors of renewable projects) that could **raise the cost of capital,** dampen investment appetite, and slow project delivery.

Alternatives to low-utilisation gas and the impact of industrial electrification

- The ISP should not be interpreted as an endorsement of **broad-scale new gas build**. Any residual role for gas should be **limited**, **transitional** and progressively displaced as clean firming and transmission are delivered.
- AEMO should provide greater transparency on **alternatives to low-utilisation gas**, including describing or testing least-cost portfolios for **rare-event reliability** (including **long-duration storage**, **demand response** and enhanced **interconnection**), and clarifying how **industrial electrification** trajectories may affect gas utilisation and delivered gas costs over time.

GENERAL COMMENTS

The Draft 2026 ISP is a critical roadmap for Australia's clean energy transition and, from an investor perspective, an increasingly important signal of whether Australia can continue to attract the scale of domestic and foreign capital required to deliver the transition at least cost.

CEIG welcomes the Draft 2026 ISP as a credible and transparent roadmap for the NEM's transition. The Draft ISP reaffirms that renewable energy is now the cheapest form of new generation in the NEM, and that clean energy can already meet the majority of electricity demand, having reached 51 per cent of NEM demand in October 2025. Importantly, it also acknowledges that the transition is no longer constrained by the availability of technology or capital, but by the pace at which infrastructure can be approved, built and connected.

CEIG's public response to the release of the Draft 2026 ISP in December 2025 emphasised that the ISP presents a shared and honest assessment of both the pathway forward and the obstacles ahead. The Draft ISP now goes further than previous versions by quantifying the consequences of continued delay, providing governments with clear evidence of the costs of inaction.

Optimal Development Path

CEIG supports in principle AEMO's selection of the Optimal Development Path (ODP). From an investor perspective, confidence in the ODP arises from the way it has been tested against real-world constraints. The Draft 2026 ISP explicitly recognises that infrastructure delivery does not occur under ideal conditions, and that planning processes, supply chains, social licence and workforce availability impose binding constraints on delivery rates.

By modelling constrained delivery and cost escalation, AEMO has materially improved the relevance of the ISP to investment decision-making. Investors are able to see not only the least-cost pathway, but also the consequences of deviating from it.

Appendix analysis on generation and storage opportunities reinforces that sufficient capacity exists across technologies to meet future system needs. CEIG agrees with this assessment. However, the scale of development outlined will only be realised if enabling conditions, particularly transmission access, planning and environmental assessments and market frameworks, evolve in parallel with generation targets.

CEIG members stand ready to deploy the capital identified in the Draft 2026 ISP. Whether that capital is delivered at least cost will depend on whether delivery risks are actively addressed.

Accelerated Transition and investor ambition

CEIG welcomes the Draft 2026 ISP's conclusion that the Accelerated Transition scenario is now more plausible than in previous ISPs. This reflects conditions observed by investors, including growing international competition for clean energy capital and Australia's strong comparative advantages in renewable resources. From an investor perspective, a faster transition is technically and financially achievable.

CEIG also notes that the Draft 2026 ISP sits alongside a growing body of evidence that Australia's electricity transition must be planned not only to replace retiring coal generation, but also to enable new sources of demand associated with clean industrial growth.

In CEIG's October 2025 report Powering Australia's green export future[1], Baringa modelling found that meeting substantial additional electricity demand from green iron and green aluminium production is achievable alongside electricity sector decarbonisation, but requires timely and coordinated investment in generation, firming and transmission infrastructure.

However, the Draft ISP also makes clear that accelerated outcomes depend critically on resolving delivery constraints. Planning delays, transmission bottlenecks and fragmented jurisdictional frameworks remain the primary factors limiting investment pace. Without reform in these areas, the Accelerated Transition risks remaining theoretical rather than operational.

CEIG encourages AEMO and governments to treat the Accelerated Transition as a policy-relevant pathway that informs reform priorities.

Transmission, Renewable Energy Zones and coordinated delivery

Transmission remains the backbone of the energy transition. The Draft 2026 ISP and its network investment analysis demonstrate that actionable and future transmission projects deliver net market benefits even under constrained delivery assumptions. This

[1] Baringa CEIG Report: Powering Australia's green export future

reinforces that transmission investment is a prerequisite for least-cost outcomes, not a deferrable option.

From an investor perspective, uncertainty around transmission sequencing and timing remains one of the most significant barriers to final investment decisions. Where generation projects progress ahead of network capacity, delays increase financing costs and can strand otherwise competitive capital. Ultimately, these risks are borne by consumers and taxpayers through higher wholesale prices, increased network costs and the need for government intervention to maintain reliability and investment momentum.

Renewable Energy Zones (REZs) play a critical role in coordinating generation and network investment. CEIG supports in principle the REZ framework as a means of delivering scale and efficiency. However, from an investor perspective, REZ success depends on access certainty, sequencing of transmission and effective social licence outcomes. Where REZ delivery lags generation interest, or where access arrangements remain unclear, investor risk increases and least-cost outcomes are undermined.

CEIG further notes that transmission build-out is not only critical for least-cost reliability outcomes, but also for enabling emerging green export industries. Baringa's modelling for CEIG[2] indicates that green export production will be concentrated in specific regions, but the least-cost solution to supply this demand is market-wide, requiring stronger interconnection and network augmentation to unlock complementary renewable energy profiles across the NEM.

CEIG encourages continued strengthening of REZ governance, early clarity on access rights and stronger alignment between REZ delivery timelines, transmission investment and coal exit schedules.

CEIG also notes that South Australia's experience shows how renewable integration can support emerging industrial demand. The [3] report[4] highlights that clean, firmed electricity and storage are already being used to support large industrial loads, demonstrating how firmed renewables can underpin new investment opportunities as electrification and green industry expand.

South-West NSW REZ and the need to test transmission augmentation options

CEIG notes that the Draft 2026 ISP and supporting Electricity Network Options Report place significant emphasis on several NSW Renewable Energy Zones, particularly New England and Central-West Orana. However, CEIG is concerned that comparatively limited attention has been given to exploring transmission augmentation options into the South-

[2] Baringa CEIG Report: Powering Australia's green export future

[4] CEIG Report: South Australia: Denmark Down Under

West NSW (N5) REZ, despite strong evidence that this region contains some of the highest-quality and lowest-cost wind resources in the NEM.

Industry analysis indicates that the South-West NSW REZ hosts a very large pipeline of advanced wind, solar and storage projects, with capacity factors for wind commonly in the range of 40–45 per cent, materially higher than assumptions applied to some other NSW REZs. Around 30 GW of projects in this region were unable to secure access rights through the recent access process and are effectively stranded due to insufficient transmission hosting capacity, despite many being well progressed through development.

From an investor perspective, this represents a substantial missed opportunity. High-quality projects with strong resource, lower environmental and planning risk, and significant sunk development capital cannot progress because the ISP framework has not adequately tested how additional transmission into this region could be delivered.

CEIG is concerned that this gap undermines the robustness of conclusions about the Optimal Development Path. The ISP seeks to identify the least-cost pathway for the NEM, yet that objective cannot be fully met if transmission options to access one of NSW's best wind regions are not meaningfully explored alongside other REZs.

CEIG notes that the Clean Energy Council has provided AEMO with a suite of potential transmission augmentation options for the South-West NSW REZ, ranging from low-cost "quick win" upgrades using runback schemes and BESS-enabled system integrity protection schemes, through to staged 330 kV and 500 kV augmentations that could ultimately develop the region into a "Super REZ" with hosting capacity comparable to New England or Central-West Orana.[5]

CEIG does not seek to prescribe a preferred option. Rather, CEIG strongly encourages AEMO to:

- Explicitly assess transmission augmentation pathways for the South-West NSW REZ within the ISP and ENOR framework
- Test these options against other NSW REZ augmentations in the optimisation
- Transparently report the comparative costs, benefits and system impacts

Without this analysis, there is a material risk that the ISP underestimates the role that South-West NSW wind could play in delivering lower-cost energy for NSW consumers and the NEM more broadly.

Delivery risk, cost–benefit analysis and the cost of delay

CEIG strongly welcomes the inclusion of constrained delivery sensitivities in the Draft 2026 ISP and its cost–benefit analysis. This modelling shows that a slowdown in delivery materially reduces renewable penetration, increases system costs and prolongs reliance

[5] CEC Submission: AEMO ENOR Draft 2025

on coal generation. From an investor perspective, this analysis provides one of the clearest signals yet of the cost of inaction. CEIG previously advocated for this sensitivity in its submission to the Draft 2025 Inputs, Assumptions and Scenarios Report, where it was recommended AEMO include sensitivity analysis on varying project delivery timelines to better reflect regulatory, planning and environmental assessment uncertainties faced by investors.[6]

While the cost–benefit framework is robust, CEIG encourages continued refinement to ensure delivery risk is treated not only as a sensitivity, but also as a core determinant of system outcomes. Delays to transmission and approvals have system-wide cost implications that exceed project-level impacts and should be weighted accordingly.

Foreign investment, cost of capital and competitiveness

CEIG emphasises that foreign capital provides the majority of clean energy financing in Australia. Clean energy investors allocate capital globally and assess jurisdictions based on risk-adjusted returns, policy certainty and delivery capability, meaning Australia is competing directly with every other net zero-oriented economy to attract investment at scale. This makes whole-of-government alignment critical. Policy settings across energy, planning, tax and investment frameworks must work together to reinforce Australia's competitiveness for capital. In this context, CEIG is concerned that proposals to increase capital gains tax liabilities for foreign vendors of renewable energy projects, potentially beyond comparable OECD settings, risk dampening investment appetite, increasing the cost of capital, and ultimately slowing project delivery.

Persistent delays and uncertainty increase the cost of capital for clean energy projects, reduce Australia's competitiveness relative to other markets and risk diverting global investment away from the NEM. These impacts are not theoretical. Where transmission delivery, planning and environmental assessments or access frameworks remain uncertain, investors price this risk directly into financing costs or reallocate capital to jurisdictions with clearer delivery pathways.

While the Draft 2026 ISP sends a strong signal on the scale of Australia's clean energy opportunity, delivery certainty will ultimately determine whether that opportunity is realised at least cost. Ensuring timely implementation of the ISP is therefore critical not only for system outcomes, but also for maintaining Australia's position as a competitive destination for global clean energy capital.

This is also central to Australia's broader economic competitiveness. CEIG commissioned modelling by Baringa[7] indicates the potential value of green iron and green aluminium exports could exceed $127 billion per annum by 2050, reinforcing that delivery certainty in the electricity transition is now a national competitiveness issue, not only an energy policy objective.

[6] CEIG Submission: Draft 2025 IASR

[7] Baringa CEIG Report: Powering Australia's green export future

System operability, security and coal exit risk

CEIG supports in principle the system operability and security analysis in the Draft 2026 ISP and agrees that a combination of storage, flexible resources and transmission can maintain reliability through the transition.

CEIG notes that South Australia provides a practical demonstration that very high levels of variable renewable energy can be integrated securely and affordably when supported by timely investment and system security services. CEIG's November 2025 report *South Australia: The Denmark Down Under*[8] highlights that wind and solar supplied 74 per cent of South Australia's electricity demand in 2024, with renewables meeting total demand for part of the day on 299 days of the year. The report also outlines how targeted system security reforms and storage investment strengthened investor confidence following the 2016 system black event.

However, these outcomes are contingent on timely delivery of replacement infrastructure. From an investor perspective, the most significant security risk arises when delays extend the operation of ageing coal assets beyond planned timelines. Prolonged coal reliance increases reliability risks, raises costs and creates uncertainty for new investment.

CEIG continues to support in principle orderly coal exit mechanisms that protect consumers, avoid deterring new investment and prevent strategic behaviour by incumbents. Coordination between coal exit, transmission delivery and generation replacement remains essential.

Social licence as a delivery enabler

CEIG welcomes the increased focus on social licence in the Draft 2026 ISP. Investors recognise that community engagement and benefit sharing are essential to delivering infrastructure at scale. From an investment perspective, social licence outcomes are strongest where processes are transparent, consistent and well-sequenced.

CEIG also notes that durable social licence outcomes are strengthened when governments provide consistent, long-term direction and embed community participation and benefit-sharing in delivery frameworks. CEIG's *South Australia: The Denmark Down Under* report[9] highlights that South Australia's progress has been enabled by more than a decade of consistent policy, market reform and innovation, demonstrating the importance of long-term certainty to mobilise private investment and maintain public confidence.

Fragmented approvals, late engagement and unclear timelines undermine trust and increase risk for both communities and investors. CEIG encourages continued integration

[8] CEIG Report: South Australia: Denmark Down Under
[9] CEIG Report: South Australia: Denmark Down Under

of social licence considerations into early planning and transmission development to reduce delay risk and support durable outcomes.

Alternatives to low-utilisation gas and the impact of industrial electrification

CEIG acknowledges that the Draft 2026 ISP includes a limited role for flexible, dispatchable gas capability, primarily to manage infrequent reliability and system security risks during the transition. CEIG does not interpret this as a case for broad-scale investment in new gas generation. Rather, it highlights the need to manage a diminishing and increasingly peaking role for gas while accelerating delivery of the clean energy pipeline.

CEIG notes the Draft 2026 ISP indicates gas demand is expected to decline materially, with gas-powered generation increasingly operating only in a small number of periods. This raises an important question for least-cost planning, whether maintaining gas supply and generation capability for rare dispatch events remains the most efficient approach, or whether alternative portfolios of firming resources could provide the same reliability outcomes at lower cost and lower emissions risk.

CEIG recognises the ISP modelling already optimises across generation, storage, transmission and demand-side resources. However, given the transition toward gas operating primarily as an insurance resource rather than an energy resource, CEIG encourages AEMO to provide further analysis of the least-cost options to meet rare-event reliability needs, including the role of long-duration storage, demand response and enhanced interconnection. This analysis would support greater confidence that the system can maintain reliability while progressively reducing reliance on gas over time.

CEIG also notes that accelerating electrification of industrial heat would reduce gas demand further and could materially affect the economics of maintaining gas network infrastructure over time. While broader industrial decarbonisation policy is outside the core scope of the ISP, CEIG considers it valuable for the ISP to transparently test or describe how plausible industrial electrification trajectories may influence gas system utilisation, delivered gas costs and the residual role of gas-powered generation in the ODP.

From an investor perspective, it is critical that any residual role for gas remains tightly linked to timely delivery of renewable generation, storage and transmission. Delays in clean energy infrastructure risk entrenching greater reliance on gas than modelled, increasing costs and emissions.

CEIG therefore emphasises that gas should remain a transitional and supporting resource, and should not be treated as a substitute for addressing delivery constraints in the clean energy pipeline.

From planning to delivery

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The Draft 2026 ISP makes clear that the challenge facing the NEM is no longer identifying the least-cost pathway, but delivering it. CEIG's central message is that the ISP must increasingly function as a genuine delivery framework, supported by accountability, coordination across jurisdictions and a shared commitment to removing barriers to investment. Without this shift, the outcomes modelled in the Constrained Delivery sensitivity risk becoming the default rather than the warning.

Clean energy investors stand ready to deliver the required capital at scale. Whether Australia captures the full benefits of the transition will depend on governments acting decisively to address delivery risks, align policies and ensure the ISP is implemented, not merely endorsed.

CEIG thanks AEMO for the opportunity to provide feedback on its Draft 2026 ISP and looks forward to continued engagement on those issues. Our Chief Executive Officer, Richie Merzian, can be contacted at richie.merzian@ceig.org.au if you would like to further discuss any elements of this submission.

Yours sincerely,

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